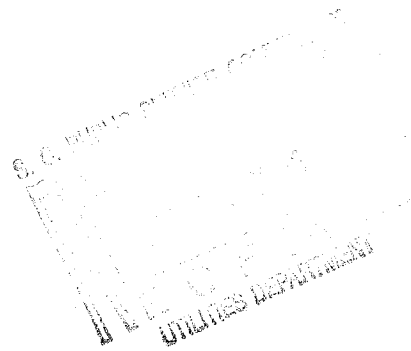


REPORT OF THE COMMISSION STAFF
SOUTH CAROLINA PUBLIC SERVICE COMMISSION



DOCKET NO. 95-1243-S
SHOALS SEWER COMPANY

**REPORT OF THE ACCOUNTING DEPARTMENT
SOUTH CAROLINA PUBLIC SERVICE COMMISSION**

**DOCKET NO. 95-1243-S
SHOALS SEWER COMPANY**

REPORT OF THE ACCOUNTING DEPARTMENT
SOUTH CAROLINA PUBLIC SERVICE COMMISSION

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REPORT OF THE ACCOUNTING DEPARTMENT
SOUTH CAROLINA PUBLIC SERVICE COMMISSION

DOCKET NO. 95-1243-S
SHOALS SEWER COMPANY

SYNOPSIS

Amount Requested \$7,910

Operating Margins:

Per Books (45.04%)

After Pro Forma Adjustments (21.58%)

After Proposed Increase 9.08%

REPORT OF THE ACCOUNTING DEPARTMENT
SOUTH CAROLINA PUBLIC SERVICE COMMISSION

DOCKET NO. 95-1243-S
SHOALS SEWER COMPANY

ANALYSIS

The Accounting Department Staff has made a review of the Application of Shoals Sewer Company (hereinafter referred as the Company) along with certain of its accounting records, relative to the Company's application to increase certain of its rates and charges under Docket No. 95-1243-S.

The Company is a wastewater utility operating in the State of South Carolina. The Company furnishes sewerage service to residential customers.

The Company's home office is located at 99 Harbor Drive, Anderson, South Carolina 29625.

The following is a summary of the Dockets relative to the Company's most recent rate adjustments:

Date of Order	Effective Date	Order Number	Amount Requested	Amount Granted	Operating Margin
10/04/89	10/04/89	88-79-S	\$10,194	\$10,194	(53.86%)

In its present application, the Company requested additional revenues of \$9,405. Staff calculated the requested increase to be \$7,910.

An operating margin was computed by the Staff to be (21.58%) after the effect of accounting and pro forma adjustments. Such Operating Margin increased to 9.08% after revenues were adjusted for the proposed increase of \$7,910.

The Staff's exhibits relative to the Company's application are as follows:

EXHIBIT A: OPERATING EXPERIENCE AND OPERATING MARGINS

Detailed in this Staff exhibit is the Company's Operating Experience, and Operating Margins for the test year ended December 31, 1995 and the accounting and pro forma adjustments which are necessary to correct or normalize the Company's test year operations both before and after the effect of the requested increase.

Utilizing per book income of (\$8,670), Staff computed an operating margin of (45.04%). Pro forma adjustments increased income and decreased expenses resulting in operating income of (\$4,581). The operating margin is (21.58%). After the Staff adjusted operating income for the proposed increase, net income increased to \$2,618. The operating margin after adjusting for the proposed increase is 9.08%.

EXHIBIT A-1: EXPLANATION OF ACCOUNTING AND PRO FORMA ADJUSTMENTS

Detailed in this exhibit are the accounting and pro forma adjustments and each adjustment made necessary as a result of the proposed increase.

EXHIBIT A-2: CUSTOMER GROWTH

The Staff's computation of Company's customer growth factor is shown in this exhibit. The Staff computed a growth factor of 1.0638% for the test year.

EXHIBIT A-3: INCOME STATEMENT

Staff has presented the Company's Income Statement as of the test year ended December 31, 1995.

Shoals Sewer Company
Operating Experience and Operating Margins
Test Year Ended December 31, 1995

Description	(1) Per Books \$	(2) Accounting/ Pro Forma Adjustments \$	(3) As Adjusted \$	(4) Proposed Increase \$	(5) After Proposed Increase \$
Operating Revenues:					
Service Revenues	18,875	1,848 (1)	20,723	7,861 (7)	28,584
Misc Revenues	375	128 (2)	503	49 (8)	552
Total	<u>19,250</u>	<u>1,976</u>	<u>21,226</u>	<u>7,910</u>	<u>29,136</u>
Operating Expenses:					
Administrative	2,400		2,400		2,400
Repairs & Maintenance	2,109		2,109		2,109
Utilities	3,833		3,833		3,833
Office Supplies/Postage	146		146		146
Rent	1,200		1,200		1,200
Inspection Fees	5,325	975 (3)	6,300		6,300
Lab Expenses	1,864		1,864		1,864
Chemicals	594	162 (4)	756		756
Sludge Removal/Treatment	1,850	1,150 (5)	3,000		3,000
Permit Fees	300		300		300
Accounting	200		200		200
Miscellaneous	50		50		50
Service Charges	39		39		39
Taxes - Other	480		480	86 (9)	566
Depreciation	7,530	(4,400) (6)	3,130	624 (10)	3,130
Income Taxes					624
Total	<u>27,920</u>	<u>(2,113)</u>	<u>25,807</u>	<u>711</u>	<u>26,518</u>
Operating Income	(8,670)	4,089	(4,581)	7,199	2,618
Customer Growth: Exh. A-2	-0-	-0-	-0-	28	28
Income for Return	<u>(8,670)</u>	<u>4,089</u>	<u>(4,581)</u>	<u>7,227</u>	<u>2,646</u>
Operating Margin	<u>(45.04%)</u>		<u>(21.58%)</u>		<u>9.08%</u>

Shoals Sewer Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended December 31, 1995

<u>Revenue and Expenses</u>	<u>Service Revenue</u> \$	<u>Misc. Revenue</u> \$	<u>Inspection Fees</u> \$	<u>Chemicals</u> \$	<u>Sludge Removal</u> \$	<u>Depreciation Expense</u> \$
Staff Company	2,223 -0-					
Staff proposes to remove Tap Fee revenue from Oper. Revenues. (U)						
Staff Company	(375) -0-					
Staff proposes to increase Miscellaneous Rev. for late fees. (U)						
Staff Company		128 -0-				
Staff proposes to increase Inspection Expense for an increase in these charges. (A)			975 -0-			
Staff Company				162 -0-		
Staff proposes to adjust Chemical expense for the increased cost of chlorine. (A)						
Staff Company					1,150 -0-	
Staff proposes to increase Sludge Removal/Treatment cost due to an increase in these charges. (A)						
Staff Company						(4,400) -0-
Staff proposes to decrease Depreciation expense to properly reflect depreciation expense on year end plant. (A)						
Staff Company						
Total Accounting & Pro Forma Adjustments Revenue and Expenses - STAFF	1,848 (1)	128 (2)	975 (3)	162 (4)	1,150 (5)	(4,400) (6)

Shoals Sewer Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended December 31, 1995

<u>Proposed Increase</u>	<u>Service Revenue</u> \$	<u>Misc. Revenue</u> \$	<u>Other Taxes</u> \$	<u>Income Taxes</u> \$
Staff and Company propose to book the effects of the proposed increase. (U)				
Staff	7,861		86	624
Company	9,405		-0-	-0-
Staff proposes to increase Misc. Revenue as a result of the proposed increase. (U)				
Staff		49		
Company		-0-		
Total Proposed Increase - STAFF	<u>7,861</u>	<u>49</u>	<u>86</u>	<u>624</u>
	(7)	(8)	(9)	(10)

Shoals Sewer Company
Customer Growth
Test Year Ended December 31, 1995

Customers Beginning of Year	93
Customers Ending of Year	95
Average Number of Customers	94

Customer Growth = $\frac{\text{End of Year Customers} - \text{Average Customers}}{\text{Average Customers}}$

= $\frac{95 - 94}{94}$

= 1.0638%

<u>Description</u>	<u>Per Books \$</u>	<u>As Adjusted \$</u>	<u>After Increase \$</u>
Net Operating Income	(8,670)	(4,581)	2,618
Growth Factor	<u>1.0638%</u>	<u>1.0638%</u>	<u>1.0638%</u>
Customer Growth *	<u>-0-</u>	<u>-0-</u>	<u>28</u>

* The Commission does not recognize negative customer growth.

Shoals Sewer Company
Income Statement*
Test Year Ended December 31, 1995

Revenues:	\$
Service Fees	19,145
Other	<u>375</u>
Total Revenues	<u>19,520</u>
Expenses:	
Permit Fees/DHEC	300
Inspections Fees	5,325
Lab Fees	1,864
Chemicals	594
Electricity	3,734
Water	99
Property Taxes	480
Office Supplies	46
Postage	100
Bank Charges	39
Office Rent	1,200
Administration	2,400
Accounting	200
Sludge Removal	1,850
Equipment Repairs	2,034
Plant Maintenance	75
Miscellaneous	50
Interest	22,340
Depreciation	<u>7,530</u>
Total Expenses	<u>50,260</u>
Operating Income/(Loss)	<u>(30,740)</u>

* As submitted by Company.

REPORT
OF
UTILITIES DEPARTMENT
SOUTH CAROLINA PUBLIC SERVICE COMMISSION

SHOALS SEWER CO.
DOCKET NO. 95-1243-S

UTILITIES DEPARTMENT REPORT

SHOALS SEWER CO.

DOCKET NO. 95-1243-S

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SHOALS SEWER CO.

SCHEDULE OF PRESENT SEWER RATES AND CHARGES

Approved by Order No. 89-975 dated October 4, 1989, in Docket No.
88-79-S

<u>CLASS OF CUSTOMER</u>		<u>CHARGE</u>
The Shoals (per unit)	-	\$ 18.00 Monthly
Anchor Point	-	\$648.00 Monthly
Tap Fee (per unit)	-	\$500.00

SHOALS SEWER CO.

SCHEDULE OF PROPOSED SEWER RATES AND CHARGES

<u>CLASS OF CUSTOMER</u>		<u>CHARGE</u>
The Shoals (per unit)	-	\$ 25.00 Monthly
Anchor Point	-	\$900.00 Monthly
Late Fee Notice	-	\$ 5.00
Tap Fee (per unit)	-	\$500.00

SHOALS SEWER CO.
EFFECT OF PROPOSED RATES ON
OPERATING REVENUE

<u>SEWER REVENUE</u>	<u>PRESENT REVENUE</u>	<u>PROPOSED INCREASE</u>	<u>AMOUNT OF INCREASE</u>	<u>PERCENT OF INCREASE</u>
SERVICE	\$20,213	\$28,074	\$ 7,861	38.89%
MISCELLANEOUS	\$ 128	177	49	38.28%
TOTAL	\$20,341	\$28,251	\$ 7,910	38.89%

Utilities Department Exhibit B shows the effect of the proposed rates and charges on revenue. The requested rates and charges will produce \$7,910 or 38.89% in additional revenue.

SHOALS SEWER CO.
EFFECT OF PROPOSED RATES AND CHARGES ON
CUSTOMER'S MONTHLY BILL

	<u>PRESENT BILL</u>	<u>PROPOSED INCREASE</u>	<u>AMOUNT OF INCREASE</u>	<u>PERCENT OF INCREASE</u>
THE SHOALS	\$ 18.00	\$ 25.00	\$ 7.00	38.89%
ANCHOR POINT	\$648.00	\$900.00	\$252.00	38.89%

SHOALS SEWER CO.
BUSINESS OFFICE COMPLIANCE REVIEW REPORT

UTILITY: SHOALS SEWER CO. INSPECTORS: CREECH/BURGESS

OFFICE: ANDERSON, S.C. DATE: JULY 2, 1996

COMPANY REPRESENTATIVE: FRED ALLEN

IN COMPLIANCE
YES OR NO*

- YES 1. Are all records and reports available for examination in accordance with Rule R.103-710 and R.103-510?
- YES 2. Are complaint records maintained in accordance with Rule R.103-716 and R.103-516?
- YES 3. Are the utility's rates, its rules and regulations, and its up-to-date maps and plans available for public inspection in accordance with Rule R.103-730 and R.103-530?
- YES 4. Are procedures established to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the South Carolina Public Service Commission and that the customer has the right to register the complaint in accordance with Rule R.103-730 and R.103-530?
- N/A* 5. Are deposits charged within the limits established by Rule R.103-731 and R.103-531?
- YES 6. Are timely and accurate bills using Commission approved rates and charges being rendered to customers in accordance with Rule R.103-733 and R.103-533?
- YES 7. Are bill forms in accordance with Rule R.103-732 and R.103-532?
- YES 8. Are adjustments of bills handled in accordance with Rule R.103-733 and R.103-533?

SHOALS SEWER CO.
BUSINESS OFFICE COMPLIANCE REVIEW REPORT

- NO** 9. Is the policy for customer denial or discontinuance of service in accordance with Rule R.103-535?
- NO** 10. Are notices sent to customers prior to termination in accordance with Rule R.103-535?
- YES 11. Are notices posted in a conspicuous place informing the public that copies of rate schedules and rules relating to service are available for inspection in accordance with Rule R.103-730 and R.103-530?
- YES 12. Does the utility have adequate means (Telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in cases of emergency or unscheduled interruptions of service in accordance with Rule R.103-730 and R.103-530?
- YES 13. Are records kept of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with Rule R.103-714 and R.103-514?
- YES 14. Has the utility advised the Commission, in accordance with Rule R.103-712 and R.103-512 of the name, title, address and telephone number of the person who should be contacted in connection with:
- (a) General management duties?
 - (b) Customer relations (complaints)?
 - (c) Engineering operations?
 - (d) Meter tests and repairs?
 - (e) Emergencies during non-office hours?

*A "NO" RESPONSE REQUIRES A NOTE IN THE COMMENT SECTION

COMMENTS: *THE COMPANY DOES NOT CHARGE DEPOSITS.
"THE COMPANY WAS FOLLOWING A CIRCUIT COURT ORDER ISSUED IN
RICHLAND COUNTY DOCKET NO. 89-CP-40-5841, WHICH STATE AS
FOLLOWS: (SAME AS LISTED.) THIS ORDER WAS OVERTURNED BY THE
SUPREME COURT OF SOUTH CAROLINA. THE COMPANY HAS BEEN INFORMED
THAT IT SHOULD ABIDE BY RULE R. 103-535. THIS RULING ONLY
AFFECTS THE ANCHOR POINT CONDOMINIUMS."

SHOALS SEWER CO.
REVIEW OF SERVICE PROVIDED BY THE COMPANY

On July 2, 1996, personnel from the South Carolina Public Service Commission conducted an inspection of the sewer system operated by Shoals Sewer Co. which provides sewer service to approximately 95 customers.

The Commission has received no complaints during the test year and the two previous years.

SHOALS SEWER CO.

SYSTEM INSPECTION

SEWERAGE

UTILITY SHOALS SEWER CO. NUMBER OF CUSTOMERS 95
SYSTEM SHOALS/ANCHOR POINT DATE INSPECTED JULY 2, 1996
INSPECTED BY CREECH/BURGESS COMPANY REPRESENTATIVE FRED ALLEN
TYPE OF PLANT MECHANICAL X LAGOON
EXTENT OF TREATMENT PRIMARY SECONDARY TERTIARY X
AERATORS YES X NO
CHLORINATOR YES X NO
OTHER CHEMICALS IN USE YES NO X
PLANT FENCED YES X NO LOCKED YES X NO
WARNING SIGNS VISIBLE YES X NO
HOLES IN FENCE YES NO X
EROSION OF DIKES YES NO X
ODOR YES NO X
GRASS CUT YES X NO
DUCK WEED OR ALGAE YES NO X
GREASE BUILD-UP YES NO X
DEBRIS INSIDE PLANT YES NO X
COLOR OF EFFLUENT CLEAR
LIFT STATIONS YES X NO NUMBER 1
FAILURE WARNING SYSTEM YES X NO
ELECTRIC WIRING ACCEPTABLE X FAULTY
OVERFLOWS YES NO X
CONDITION OF ACCESS ROAD GOOD X BAD
NEW CONSTRUCTION HOUSES YES NO X UTILITY YES NO X
FREQUENCY CHECKED BY OPERATOR DAILY
LOCATION OF UTILITY OFFICE ANDERSON COUNTY
LOCATION OF SYSTEM ANDERSON COUNTY
IS SUBDIVISION PROVIDED WATER BY THIS UTILITY? YES NO X
BY WHOM? SANDY SPRINGS WATER COMPANY
OTHER COMMENTS